

20. Air India and its five subsidiaries and one JV.
21. Dredging Corporation of India
22. HLL Life Care
23. Indian Medicine and Pharmaceuticals Corporation Ltd. (IMPCL)
24. Karnataka Antibiotics
25. Kamrajar Port
26. Indian Tourism Development Corporation (ITDC)
27. Rural Electrification Corporation Limited (REC)
28. Hindustan Petroleum Corporation Limited

Financial problems in banks due to frauds and NPAs

1778. SHRI MANAS RANJAN BHUNIA: Will the Minister of FINANCE be pleased to state:

(a) whether the Nationalised Commercial Banks have been facing acute financial problems due to bank frauds and increase in NPAs;

(b) if so, the number of bank frauds in 2016-17, 2017-18, 2018-19 and 2019-20 upto May and the amount of money involved during the period; and

(c) the amount of money in NPAs during 2016-17, 2017-18, 2018-19 and 2019-20 till May?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANURAG SINGH THAKUR): (a) to (c) As per Reserve Bank of India (RBI) data on global operations, aggregate gross advances of nationalised banks increased from ₹ 11,33,137 crore as on 31.3.2008 to ₹ 34,03,717 crore as on 31.3.2014. As per RBI inputs, the primary reasons for spurt in stressed assets have been observed to be, *inter alia*, aggressive lending practices, wilful default/loan frauds/corruption in some cases, and economic slowdown. Asset Quality Review (AQR) initiated in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of NPAs. As a result of AQR and subsequent transparent recognition by banks, stressed accounts were reclassified as NPAs and expected losses on stressed loans, not provided for earlier under flexibility given to restructured loans, were provided for. Further, all such schemes for restructuring stressed loans were withdrawn. Primarily as a result of transparent recognition of stressed assets as NPAs, gross NPAs of nationalised banks, as per RBI data on global operations, rose from ₹ 1,92,809 crore as on 31.3.2015, to

₹ 4,62,114 crore as on 31.3.2017, and to ₹ 6,16,586 crore as on 31.3.2018, and as a result of Government's 4R's strategy of recognition, resolution, recapitalisation and reforms, have since declined by ₹ 49,795 crore to ₹ 5,66,791 crore as on 31.3.2019 (provisional data). The details of gross NPAs for financial year 2019-20 upto May is not available as data is collated only on a quarterly basis.

Government has implemented a comprehensive 4R's strategy consisting of recognition of NPAs transparently, resolution and recovering value from stressed accounts, recapitalising Public Sector Banks (PSBs), and reforms in PSBs and financial ecosystem to reduce NPAs and strengthen PSBs. Steps taken under this strategy include, *inter alia*, the following:—

- (i) Change in credit culture was effected, with the Insolvency and Bankruptcy Code (IBC) fundamentally changing the creditor-borrower relationship, taking away control of the defaulting company from promoters/owners and debarring wilful defaulters from the resolution process and debarring them from raising funds from the market.
- (ii) Over the last four financial years, PSBs were recapitalised to the extent of ₹ 3.12 lakh crore, with infusion of ₹ 2.46 lakh crore by the Government and mobilisation of over ₹ 0.66 lakh crore by PSBs themselves.
- (iii) Key reforms were instituted in PSBs as part of PSBs Reforms Agenda, include the following:—
 - (1) Board-approved Loan Policies of PSBs now mandate tying up necessary clearances/approvals and linkages before disbursement, scrutiny of group balance-sheet and ring-fencing of cash flows, non-fund and tail risk appraisal in project financing.
 - (2) Use of third-party data sources for comprehensive due diligence across data sources has been instituted, thus mitigating risk on account of misrepresentation and fraud.
 - (3) Monitoring has been strictly segregated from sanctioning roles in high-value loans, and specialised monitoring agencies combining financial and domain knowledge have been deployed for effective monitoring of loans above ₹ 250 crore.
 - (4) To ensure timely and better realisation in one-time settlements (OTSs), online end-to-end OTS platforms have been set up.

Enabled by the above steps, financial gains from cleaning of the banking system are now amply visible. Gross NPAs of nationalised banks, as per RBI data on global

operations (including provisional data for March, 2019, as reported on 2.7.2019), have reduced over the last financial year by ₹ 49,795 crore, and recovery of ₹ 2,19,407 crore has been effected by these banks over the last four financial years, including a record recovery of ₹ 86,013 crore in the last financial year.

Government has taken comprehensive steps to reduce the incidence of frauds in banks. The steps taken include, *inter alia*, the following:—

- (1) Government has issued “Framework for timely detection, reporting, investigation etc. relating to large value bank frauds” to Public Sector Banks (PSBs), for systemic and comprehensive checking of legacy stock of their non-performing assets (NPAs), which provides, *inter alia*, that:—
 - (i) all accounts exceeding ₹ 50 crore, if classified as NPAs, be examined by banks from the angle of possible fraud, and a report placed before the bank’s Committee for Review of NPAs on the findings of this investigation;
 - (ii) examination be initiated for wilful default immediately upon reporting fraud to RBI; and
 - (iii) report on the borrower be sought from the Central Economic Intelligence Bureau in case an account turns NPA.
- (2) Fugitive Economic Offenders Act, 2018 has been enacted to deter economic offenders from evading the process of Indian law by remaining outside the jurisdiction of Indian courts. The act provides for attachment of property of a fugitive economic offender, confiscation of such offender’s property and disentitlement of the offender from defending any civil claim.
- (3) PSBs have been advised to obtain certified copy of the passport of the promoters/directors and other authorised signatories of companies availing loan facilities of more than ₹ 50 crore and, decide on publishing photographs of wilful defaulters, in terms of RBI’s instructions and as per their Board-approved policy and to strictly ensure rotational transfer of officials/employees. The heads of PSBs have also been empowered to issue requests for issue of Look Out Circulars (LOCs).
- (4) For enforcement of auditing standards and ensuring the quality of audits, Government has established the National Financial Reporting Authority as an independent regulator.
- (5) Instructions/advisories have been issued by Government to PSBs to decide on publishing photographs of wilful defaulters, in terms of RBI’s instructions

and as per their Board-approved policy, and to obtain certified copy of the passport of the promoters/directors and other authorised signatories of companies availing loan facilities of more than ₹ 50 crore.

- (6) In order to bring transparency and accountability in the larger financial system, bank accounts of 3.38 lakh inoperative companies were frozen over the last two financial years.

The impact of the above steps is reflected in Reserve Bank of India (RBI)'s Financial Stability Report (FSR) of June, 2019. As per FSR, systemic and comprehensive checking of legacy stock of NPAs of PSBs for frauds has helped unearth frauds perpetrated over a number of years, which is getting reflected in increased number of reported incidents of frauds in recent years compared to previous years. Further, details of the amount involved in frauds of ₹ 1 lakh and above that occurred during the last three financial years (F.Y.s), reported by nationalised banks to RBI, as per inputs received from RBI, are as under:—

| F.Y. of occurrence | Amount involved (₹ in crore) | Number |
|--------------------|------------------------------|--------|
| 2016-17 | 22,844 | 1,141 |
| 2017-18 | 6,522 | 833 |
| 2018-19 | 5,030 | 404 |

The details of bank frauds of ₹ 1 lakh and above for financial year 2019-20 up to May are not available as data is collated only on a quarterly basis.

Utilisation of allocated budget under Mudra Scheme

†1779. SHRI SURENDRA SINGH NAGAR: Will the Minister of FINANCE be pleased to state:

- the number of loans provided under Mudra Bank Yojana, till date;
- whether this scheme has failed to achieve its desired goal;
- if so, the details of revenue loss caused to Government till date; and
- if not, the details of the utilization of the allocated budget under this scheme, year-wise?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANURAG SINGH THAKUR): (a) to (d) As on 21.06.2019, over 19.05 crore loans amounting to ₹ 9.34 lakh crore have been extended by various Member Lending Institutions

† Original notice of the question was received in Hindi.